



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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April 11, 2003

TO: Senator Lisa Brown, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: April 10, 2003 REVENUE COLLECTION REPORT

General Fund-State collections were \$12.5 million (1.9 percent) more than expected in the March 11-April 10 period. Revenue Act (retail sales, business and occupation, use and public utility taxes) tax payments were above the estimate for the month while most other major General Fund sources were a little less than expected. Although collections were higher than expected this month, the economy is still weak. The U.S. economy lost 108,000 jobs in March following a decline of 357,000 in February. Employment in the state looks a little better. Washington employment is increasing and looks like it will be close to the March estimate in the first quarter of 2003. It is still quite weak, however, up only 0.5 percent from a year-ago.

Revenue Act receipts this month (primarily reflecting February 2003 business activity) were \$18.6 million higher than expected. Revenue Act collections were 2.7 percent above the year-ago level (adjusting for special factors). Although this is very modest growth it is above both last month's 1.4 percent increase and the 1.3 percent average gain for the first seven months of the fiscal year. Revenue growth is very volatile on a monthly basis (see chart 3) and while a positive variance this month is encouraging, it is too soon to say if this month's above trend growth is a sign of sustained improvement or not.

Preliminary data based on February 2003 business activity indicate an increase in tax payments reported by retailers which was partially offset by declines in tax payments reported by most non-retail trade sectors. All major retailing sectors with the exception of drug and health stores reported a year-over-year increase in tax payments this month. Double-digit increases were reported by non-store retailers (+14.7 percent) and building materials/garden equipment stores (+13.3 percent). Gains in most other retailing sectors were in the low single digits. Among non-retailing sectors, the largest drop in tax payments was reported by the utilities sector (-13.0 percent). Other major sectors reporting declines were the real estate and rental/leasing sector (-8.4 percent), the construction sector (-1.4 percent), the manufacturing sector (-0.5 percent) and the wholesale trade sector (-0.7 percent). The information sector reported a small (1.1 percent) increase.

Other General Fund taxes collected by the Department of Revenue were \$6.0 million less than the estimate for the month. Weaker than expected estate tax payments and "other" taxes (primarily brokered natural gas tax and unclaimed property transfers) account for most of this shortfall. Cigarette, liquor and real estate excise tax collections were also a little less than expected for the month while property tax payments were a little higher.

Although Real estate excise activity was a little weaker than expected in February (February closings reflecting state tax payments in March), it was still relatively strong. Statewide, real estate excise activity was 22.3 higher than the same period a year-ago. This is close to last month's 25 percent increase, though well below the fourth quarter of 2002's 36.6 percent increase. Interest rates are still low and in many areas of the state real estate still is an attractive investment. Both the number of transactions and the average price per transaction were up both in February and for the fiscal year-to-date.

Department of Licensing General Fund collections were \$34,000 (5.4 percent) less than the estimate in February.

The attached Table 1 provides a comparison of collections with the forecast for the March 11 - April 10, 2003 collection period and cumulatively since the last forecast. The cumulative variance is virtually identical to the variance for the current collection period in Table 1 because the monthly estimates based on the March 2003 forecast have been adjusted to reflect actual collections through March 10, 2003. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
April 10, 2003 Collections Compared to the March 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
March 11 - April 10, 2003				
Department of Revenue-Total	\$641,824	\$654,472	\$12,648	2.0%
Revenue Act** (1)	570,082	588,741	18,659	3.3%
Non-Revenue Act(2)	71,742	65,731	(6,010)	-8.4%
Liquor Sales/Liter	6,733	6,620	(114)	-1.7%
Cigarette	4,465	4,123	(342)	-7.7%
Property (State School Levy)	16,618	18,213	1,595	9.6%
Estate	7,854	4,755	(3,099)	-39.5%
Real Estate Excise	31,372	31,100	(272)	-0.9%
Timber (state share)	0	0	0	NA
Other	4,699	920	(3,779)	-80.4%
Department of Licensing (2)	896	769	(127)	-14.2%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$642,720	\$655,241	\$12,521	1.9%
Cumulative Variance Since the March Forecast (March 11, 2002 - April 10, 2003)				
Department of Revenue-Total	\$641,824	654,472	12,648	2.0%
Revenue Act** (3)	570,082	588,741	18,659	3.3%
Non-Revenue Act(4)	71,742	65,731	(6,010)	-8.4%
Liquor Sales/Liter	6,733	6,620	(114)	-1.7%
Cigarette	4,465	4,123	(342)	-7.7%
Property (State School Levy)	16,618	18,214	1,595	9.6%
Estate	7,854	4,755	(3,099)	-39.5%
Real Estate Excise	31,372	31,100	(272)	-0.9%
Timber (state share)	0	(0)	(0)	NA
Other	4,699	920	(3,779)	-80.4%
Department of Licensing (4)	896	825	(71)	-7.9%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$642,720	\$655,297	\$12,577	2.0%

1 Collections March 11 - April 10, 2003. Collections primarily reflect February 2003 activity of monthly taxpayers.

2 March 1-31, 2003 collections.

3 Cumulative collections, estimates and variance since the March 2003 forecast; (March 11 - April 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the March forecast; (March 2003) and revisions to history.

* Based on the March 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
March 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
February 11 - March 10, 2003				
Department of Revenue-Total	\$633,176	\$633,176	(\$0)	-0.0%
Revenue Act (1)	569,159	569,159	0	0.0%
Non-Revenue Act(2)	64,017	64,017	(0)	-0.0%
Liquor Sales/Liter	6,843	6,843	(0)	-0.0%
Cigarette	4,275	4,275	0	0.0%
Property (State School Levy)-net	5,972	5,972	(0)	-0.0%
Property tax collections	5,972	5,972	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	6,017	6,017	0	0.0%
Real Estate Excise	31,608	31,608	(0)	-0.0%
Timber (state share)	1,996	1,996	(0)	NA
Other	7,306	7,306	(0)	-0.0%
Department of Licensing (2)	599	655	56	9.4%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$633,775	\$633,831	\$56	0.0%

Cumulative Receipts: November 11 - March 10, 2003 & Revisions to History

Department of Revenue-Total	3,662,572	\$3,663,429	\$857	0.0%
Revenue Act (3)	2,741,763	2,742,619	856	0.0%
Non-Revenue Act(4)	920,809	920,809	0	0.0%
Liquor Sales/Liter	33,514	33,514	0	0.0%
Cigarette	16,969	16,969	0	0.0%
Property (State School Levy)-net after transfer	630,496	630,496	0	0.0%
Property tax collections	630,496	630,496	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	28,807	28,807	0	0.0%
Real Estate Excise	153,402	153,409	7	0.0%
Timber (state share)	4,229	4,229	(0)	NA
Other	53,391	53,384	(7)	-0.0%
Department of Licensing (4)	2,487	2,517	30	1.2%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$3,665,059	\$3,665,946	\$887	0.0%

Preliminary. Reported in the March 10, 2003 collection report.

1 Collections Feb. 11 - March 10, 2003. Collections primarily reflect January 2003 business activity of monthly taxpayers.

2 February 1-28, 2003 collections.

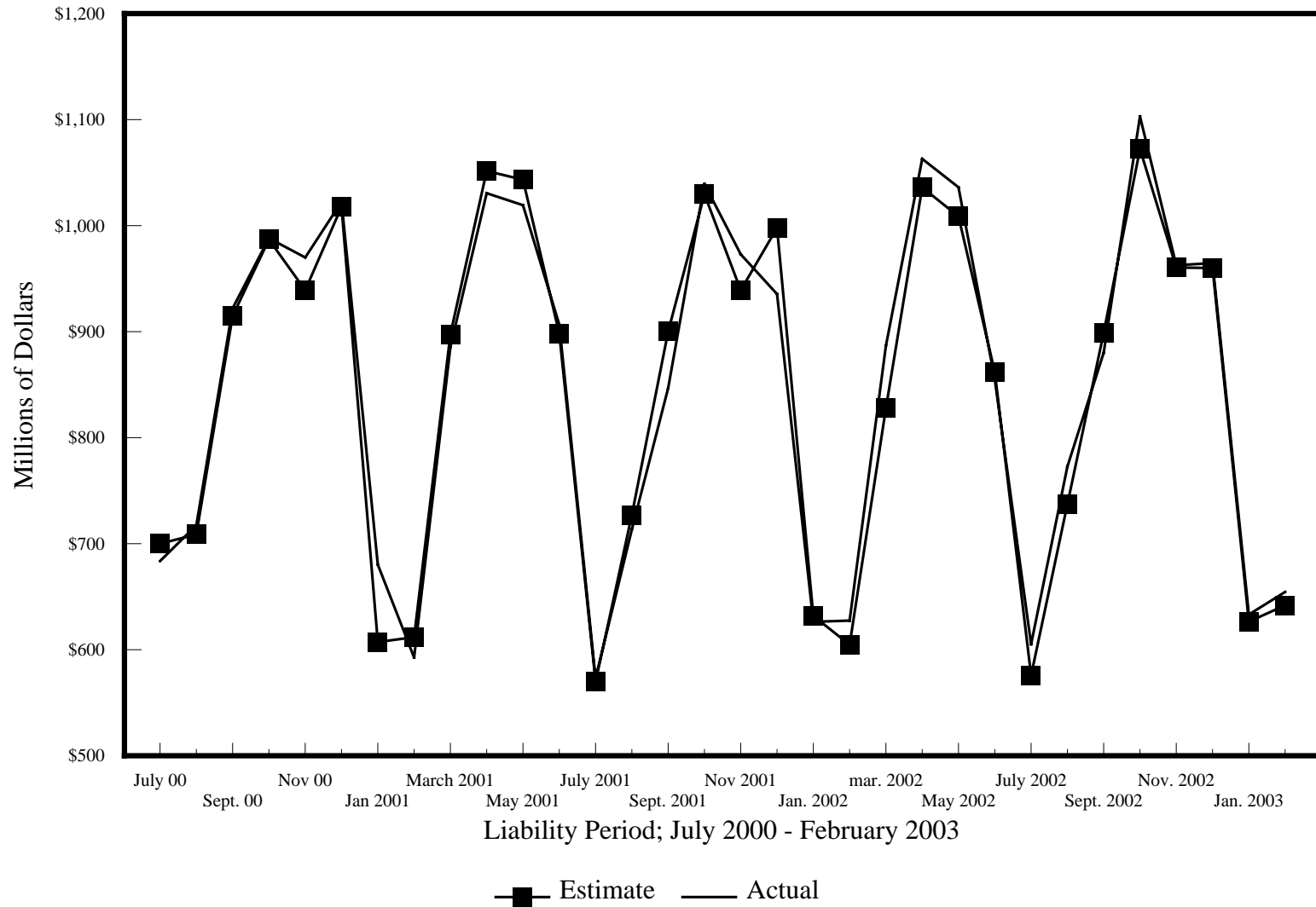
3 Cumulative receipts since the November 2002 forecast: November 11-March 10,2003 & revisions to history.

4 Cumulative receipts since the November 2002 forecast (November - February 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

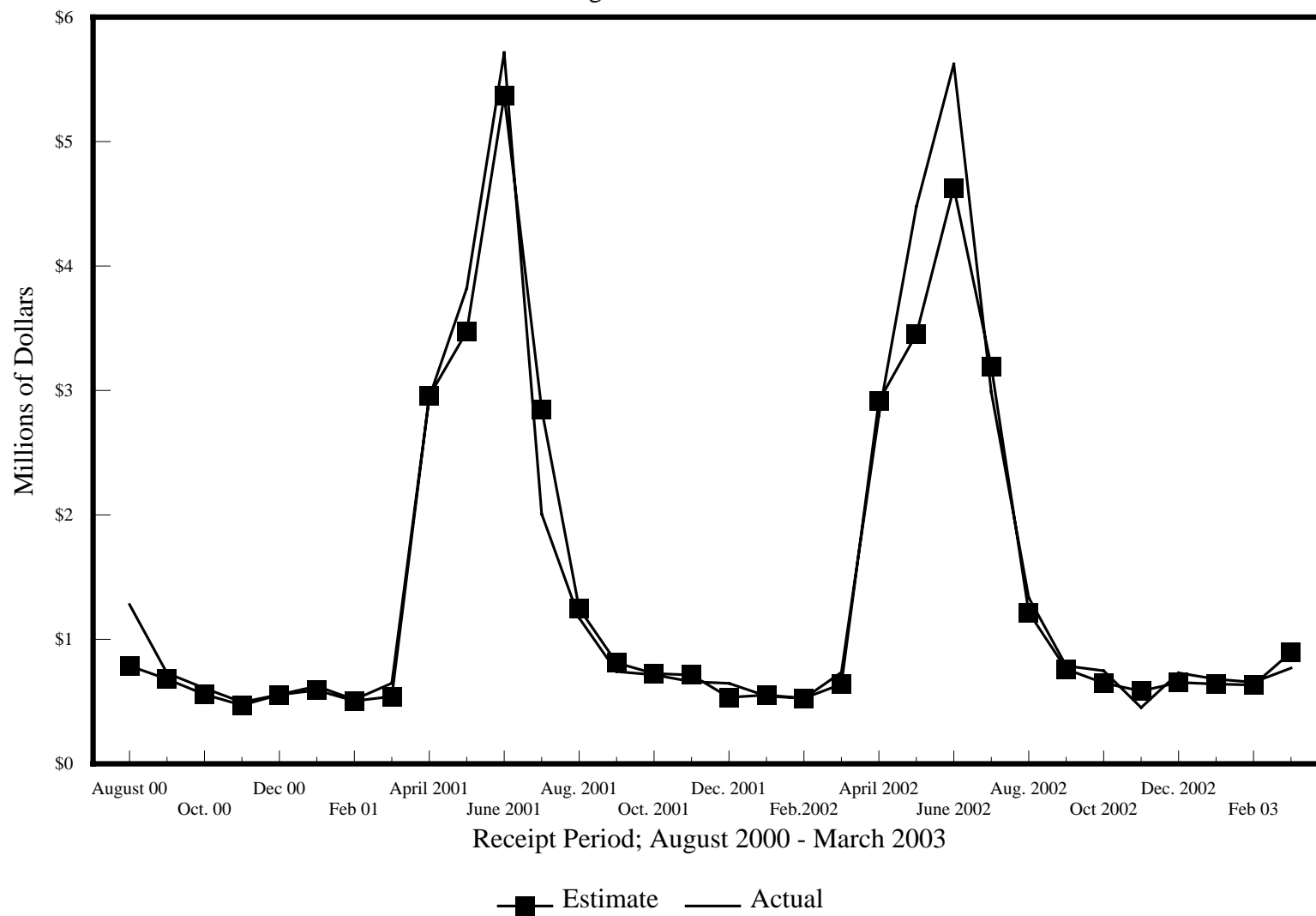
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to February 2003



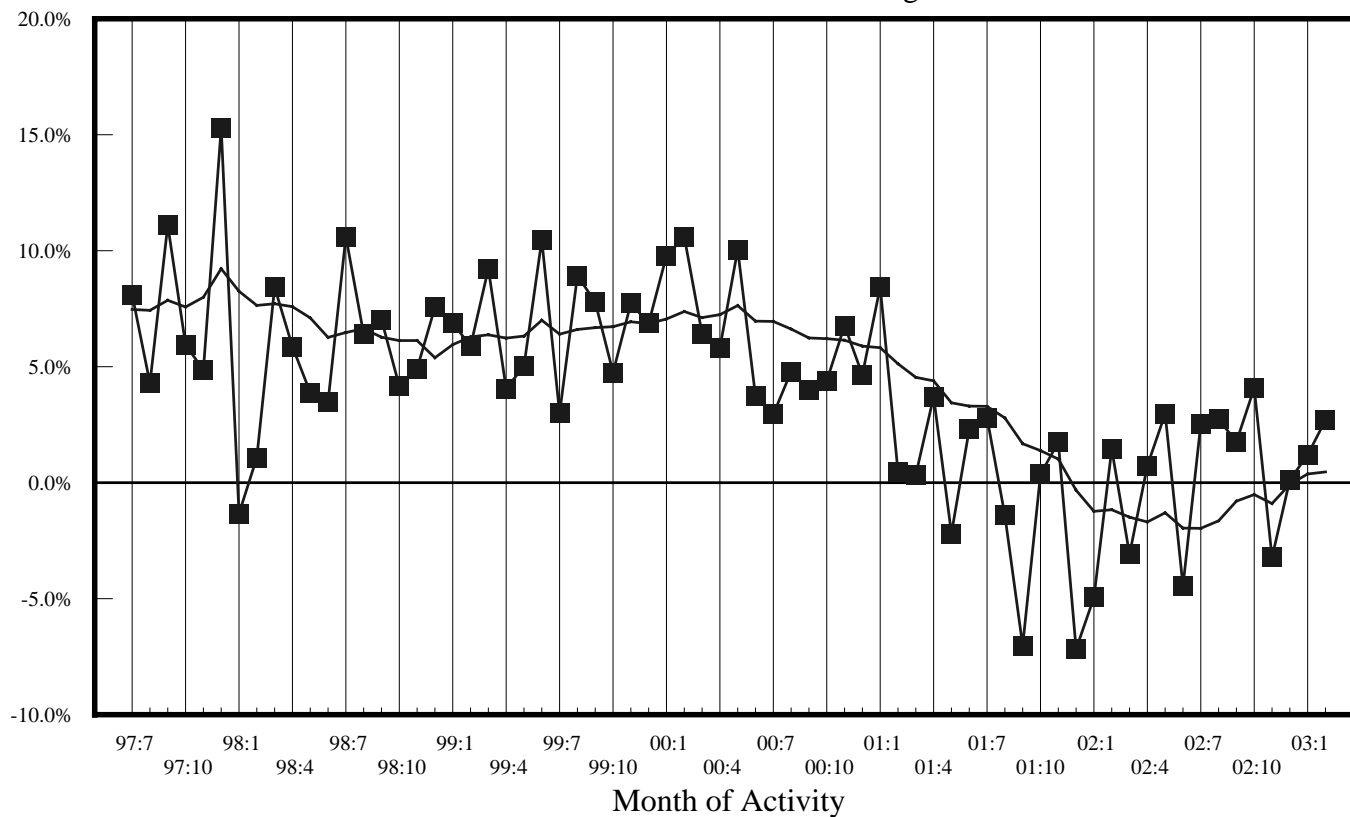
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to March 2003



Revenue Act Net Collections*

Year-over-Year Percent Change



—■— %CH from year-ago month

*Adjusted for special factors